

## **COMPETITIVE SOURCING NEWSLETTER OCTOBER 2001**

### **ANNUAL PARTNERING FORUM**

The annual CE, Contracting, and Industry Partnering Forum held 27-29 August in Atlanta was a great success. The speakers presented the latest performance based service acquisition and competitive sourcing information and guidance coming out of OMB, DOD, and Air Force. Industry addressed issues that affect both Air Force and Industry and emphasized that we (Air Force and Industry) need to partner to save Civil Engineer dollars and to accomplish the mission.

Panel discussions afforded conferees the opportunity to maintain a dialogue on topics previously briefed and to bring to the table issues that had not been addressed or needed further clarification. The exchange of ideas highlighted the changing environment in competitive sourcing and the need for further meetings to discuss these issues.

The Partnering Forum briefings and other pertinent information can be found at <http://www.afcesa.af.mil/Directorate/CEO/Contracts/Outsourcing/Workshops.htm>.

### **CONGRESSIONAL TESTIMONY**

Mr. Barry Holman, GAO Director for Mission Capabilities and Management, testified before the Subcommittee on Technology and Procurement Policy Committee on Government Reform, House of Representatives on the DOD Competitive Sourcing Program. Mr. Holman presented GAO observations on how the Department of Defense (DOD) uses OMB Circular A-76. He presented information based on GAO studies conducted in recent years to track DOD's progress in implementing the A-76 program with the goal of saving billions of dollars that are used to fund other priority needs. The testimony (1) reviewed the history of the A-76 program in DOD; (2) addressed savings realized through the A-76 program; (3) identified key issues raised through the DOD's A-76 program as useful lessons for other agencies; and (4) provided an update of the commercial activities panel that was formed by a Congressional mandate to study the policies and procedures governing the transfer of commercial activities from government workers to a federal contractor.

Mr. Holman's testimony addressed the following issues:

Under A-76, commercial activities may be converted to or from contractor performance either by direct conversion or by cost comparison. To augment its A-76 program, DOD is utilizing the concept of strategic sourcing. Strategic sourcing may encompass consolidation, restructuring or reengineering activities, privatization, joint ventures with the private sector, or the termination of obsolete services. Strategic sourcing can include all activities whether inherently governmental, military essential or commercial and is a separate program from competitive sourcing.

DOD is the leader in emphasizing A-76 studies with civilian agencies having minimal involvement by comparison. Unfortunately, no central database exists to provide information on the actual number of studies undertaken. However, DOD is revising its commercial activities management information system (CAMIS) to more accurately track cost comparison data.

Recent GAO studies show that savings are being realized, but that estimates are limited in the short term due to up front investment costs associated with conducting and implementing the studies. These costs must be absorbed before any long term savings can begin to accrue. To reduce costs most DOD activities rely heavily on reducing the number of positions. Other cost reducing activities include restructuring, reclassifying positions and using multi-skilled employees.

Other issues that need to be considered with the increased emphasis on A-76 competitions include:

1. The time required to complete the studies. Historically, the components have been projecting 13-21 months to complete a study and end up revising the timelines. Recent data indicates that it take approximately 24 months for a single function and 27 months for a multifunction study. (Note: OMB guidelines give 18 and 36 months respectively with statutory limits of 24 months and 48 months.)

2. The costs and other resources needed to conduct and implement studies. Since it is taking longer to complete the studies than originally planned, the components are realizing a larger investment of resources. Additionally, significant costs are being incurred in implementing the results of the competitions. Transition costs which include separation costs for civilian employees who lose their jobs as a result of competitions won by the private sector or when in-house organization require fewer employees decrease greatly the cost of the study. Separation costs include the costs of voluntary early retirement, voluntary separation incentives, and involuntary separations through reduction in force actions.

3. The difficulties involved in selecting functions to compete. The positions being competed are limited by geographically separated units, separating commercial work from inherently governmental or exempted work, and limited resources to conduct the studies.

4. The timing of budget reductions in anticipation of projected savings. The difficulties encountered in identifying candidates, completing studies, and unexpected costs associated with implementing studies impacts project savings. These concerns affect actual savings and meeting programmed savings targets.

Congress enacted Section 832 of the National Defense Authorization Act for Fiscal Year 2001 that required the Comptroller General to convene a panel of experts to study the policies and procedures governing the transfer of commercial activities from government workers to contract. The panel convened on May 8, 2001 and held its first public

meeting on June 11. A report of its findings and recommendations is due to Congress by May 1, 2002.

Obviously, The A-76 program is under close scrutiny by the GAO and Congress. However, the DOD Competitive Sourcing program is the most aggressive program in the federal government and is setting the standard for other federal agencies.

#### **AFCEA COMPETITIVE SOURCING HELP DESK**

The AFCEA Competitive Sourcing Help Desk's e-mail address has changed to [A-76Desk@tyndall.af.mil](mailto:A-76Desk@tyndall.af.mil). E-mails sent to our previous address are being forwarded. Our DSN (523-4970) remains unchanged.

#### **WEB PAGE REDESIGN**

The Competitive Sourcing/A-76 web page on the AFCEA web site has been redesigned. The existing information was reorganized and new sections were added to keep the field abreast of the latest information. Since the web page is for your use, if there is anything you think we should add that would be helpful for all field units, please let us know.

#### **ASSISTANCE**

For help in planning your A-76, Direct Conversion, or Reengineering efforts call the HQ AFCEA A-76 Help Desk at DSN 523-4970 or e-mail: [A-76Desk@tyndall.af.mil](mailto:A-76Desk@tyndall.af.mil).

The A-76 Help Desk consists of three full-time professionals with extensive experience in the competitive sourcing/A-76 process: an engineer, a contracting specialist, and a manpower expert. They operate from AFCEA to provide A-76 support services including, but not limited to, the following:

- Answering competitive sourcing/A-76/Reengineering related questions.
- Providing technical advice to A-76 CE Steering Committee members.
- Assisting in developing acquisition strategies.
- Providing guidance on new acquisition procedures.
- Reviewing statements of work, quality assurance plans, and management plans.
- Maintaining a repository of lessons learned from CE activities.